

Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries



Washtenaw Region

Washtenaw County

A Regional Profile
Prepared by:

Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives

Introduction

Information is a key to the creation of a 21st century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

Industry Job Trends on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

Core Industries identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other

support service firms locate in the region because of its presence. One should note that a core industry does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

Developing Industries are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

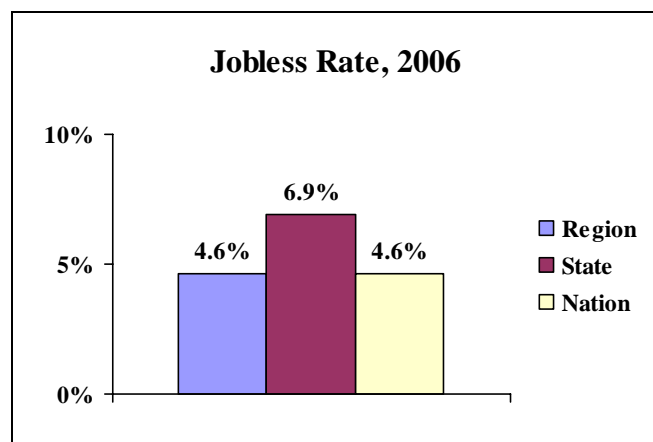
Competitive-Advantage Industries are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

For further information on the Washtenaw County region, please contact:

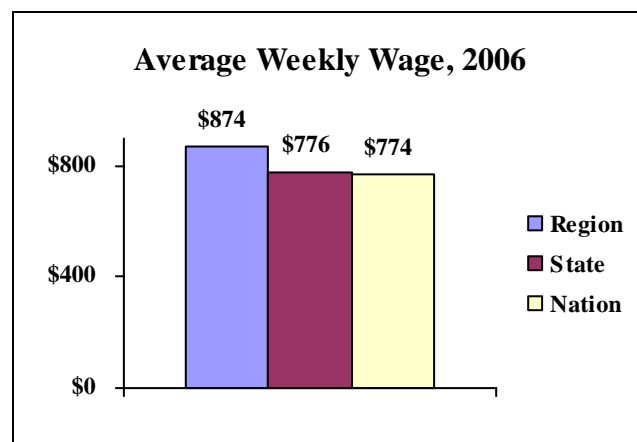
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CURRENT LABOR MARKET INDICATORS

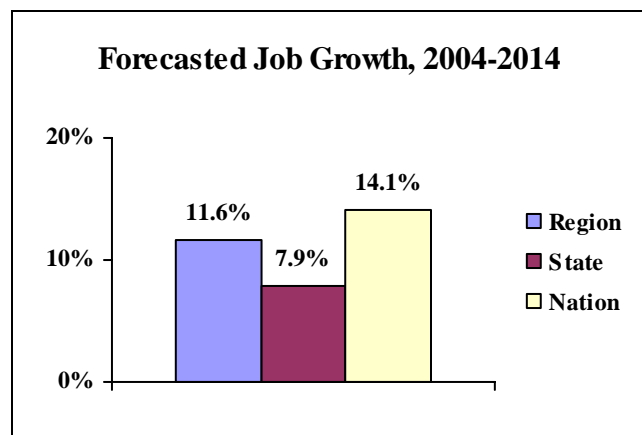
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	+1.6%	+1.8%	0.0%	4.6%	\$874	\$39,528	+11.6%
State	0.0%	+0.6%	-1.2%	6.9%	\$776	\$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	\$774	\$33,050	+14.1%



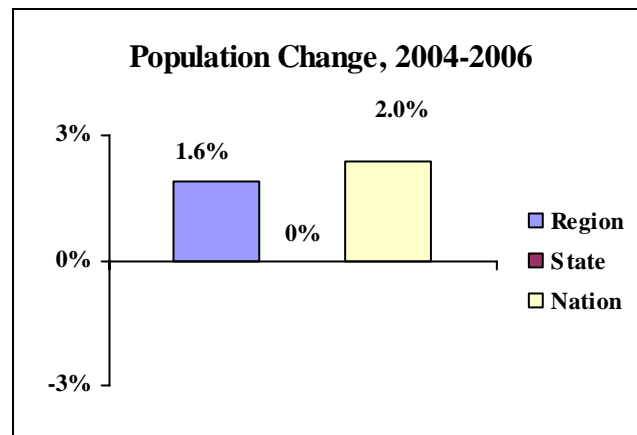
The region's jobless rate mirrored the U.S. overall average, and was substantially lower than the state. Despite losses in auto-related manufacturing, the region's diverse industry mix contributed to retaining one of the strongest economies in Michigan.



Average weekly wages were approximately 13 percent higher than both the state and U.S., due to a diverse economy and a highly-educated labor force. The region enjoys a large share of higher-than-average paying professional and health-related jobs.

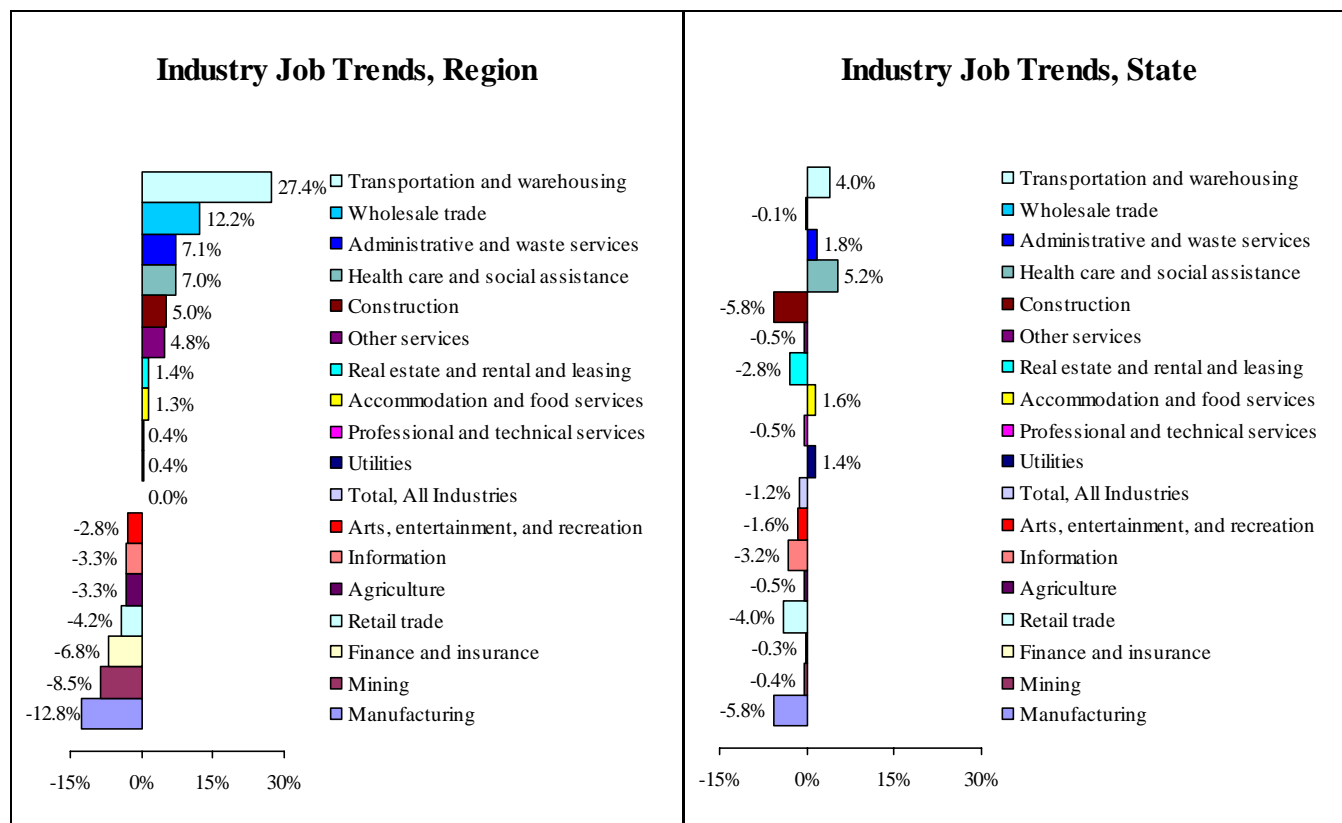


Regional job expansion is expected to outpace the state average, with the fastest gains in the *Professional and Business Services* and *Health Care* sectors. *Government* jobs are expected to record the lowest percent job gain, and the *Manufacturing* sector is forecast to register a 3 percent job decline.

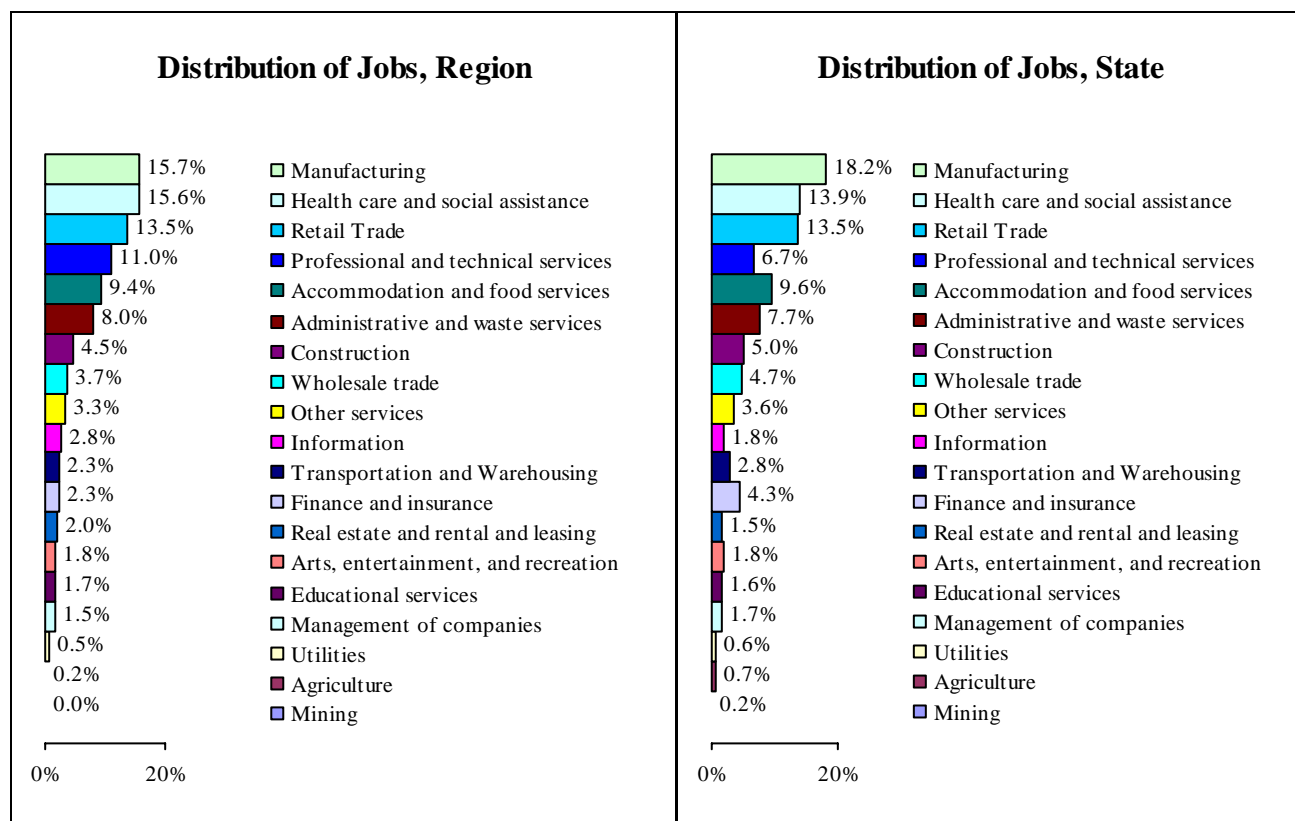


Regional population growth was well above the statewide average over this period. Domestic and foreign in-migration was the major driver of growth in the area.

INDUSTRY JOB TRENDS (2004 –2006)



- Private payroll jobs effectively did not change between 2004 and 2006. While positive growth was not measured during this period, this trend was somewhat more favorable than the statewide job loss of 1.2 percent. U.S. job growth was 4.0 percent.
- Manufacturing* shrunk by nearly 3,000 jobs over this period, due to substantial job cuts in the auto sector. In spite of this loss, the region was able to avoid posting a negative net change due to job expansion in *Health Care and Social Assistance* (+1,300 jobs) and other service-based sectors such as *Transportation and Warehousing*, *Wholesale Trade*, and *Administrative and Waste Services*.
- The near 700-job gain in *Administrative and Waste Services* was largely due to increased employment by staffing firms and temporary employment agencies. These firms experienced an increase in employment in 2006 in part due to restructuring activity in the automotive sector.
- Regional industry trends generally fared better than the state in a sector-by-sector comparison. This was particularly true of *Transportation and Warehousing*, *Wholesale Trade*, and *Construction*. Washtenaw County employment in these sectors was at least 10 percentage points or better above the associated statewide figure in each of those sectors. In the case of *Transportation and Warehousing*, the regional growth rate was seven times the Michigan rate.

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)

- The regional economy enjoys a diverse mix of industrial employment. Four industries boast a double-digit share of total jobs, while two additional sectors employ 9.4 percent and 8.0 percent. The largest two sectors, *Manufacturing* and *Health Care and Social Assistance*, have equal employment size in the county and each contributes almost 16 percent of total jobs.
- The region's industry mix—while still fairly reliant on manufacturing employment—is more balanced than the statewide distribution, which should allow the region to better absorb major changes taking place in any particular industry. Although the area saw 3,000 jobs leave the manufacturing sector between 2004 and 2006, it continues to record one of the lowest unemployment rates in the entire state.
- Compared to the state, the regional economy has a higher share of jobs concentrated in the knowledge sectors of *Professional and Technical Services* and *Health Care and Social Assistance*. These two service sectors are commonly referred to as “knowledge” industries and are expected to continue growing through 2012, based on industry forecasts. These sectors also pay substantially better than other growing industries, such as *Administrative and Waste Services* and *Other Services*.
- One underrepresented sector in the region is *Finance and Insurance*. This industry contributes only half the share of jobs locally than is present statewide.

PROFILE OF REGIONAL INDUSTRIES**Growth Industries** (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Merchant Wholesalers, Nondurable Goods	2,075	\$1,133	+22.5%	0.0%
Clothing and Clothing Accessories Stores	1,737	\$320	+20.0%	-9.9%
Truck Transportation	1,240	\$936	+17.5%	+9.8%
Heavy and Civil Engineering Construction	1,455	\$962	+15.2%	-2.2%
Electronics and Appliance Stores	1,004	\$622	+13.4%	+18.1%
Ambulatory Health Care Services	7,398	\$1,051	+11.3%	+6.6%
Nursing and Residential Care Facilities	3,725	\$492	+8.0%	+0.6%
Administrative and Support Services	9,996	\$594	+6.5%	-5.4%
Specialty Trade Contractors	3,216	\$929	+4.6%	+10.2%
Social Assistance	2,603	\$351	+4.3%	-1.3%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Telecommunications	287	\$1,099	-55.4%	-5.4%
Miscellaneous Store Retailers	878	\$346	-30.2%	-12.3%
Repair and Maintenance	905	\$648	-23.2%	+8.7%
Transportation Equipment Manufacturing	9,982	\$1,781	-20.6%	+24.1%
Management of Companies and Enterprises	1,899	\$1,316	-15.8%	+5.0%
Plastics and Rubber Products Manufacturing	937	\$1,063	-14.8%	+13.9%
Motor Vehicle and Parts Dealers	1,823	\$840	-12.3%	-0.3%
Credit Intermediation and Related Activities	1,819	\$914	-11.3%	+6.4%
Building Material and Garden Supply Stores	1,350	\$553	-10.8%	+4.7%
General Merchandise Stores	3,114	\$381	-9.0%	+12.9%

Core Industries (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Transportation Equipment Manufacturing	9,982	\$1,781	-20.6%	+24.1%
Printing and Related Support Activities	2,234	\$778	-4.0%	+5.5%
Publishing Industries, except Internet	2,079	\$1,135	0.0%	+7.2%
Professional and Technical Services	14,269	\$1,501	+0.4%	+0.2%
Electronics and Appliance Stores	1,004	\$622	+13.4%	+18.1%
Miscellaneous Manufacturing	1,196	\$1,006	+3.2%	-2.7%
ISPs, Search Portals, and Data Processing	650	\$1,216	+14.5%	-1.8%
Hospitals*	P	P	P	P
Ambulatory Health Care Services	7,398	\$1,051	+11.3%	+6.6%
Heavy and Civil Engineering Construction	1,455	\$962	15.2%	-2.2%

*Protected data

Developing Industries (Region's share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
ISPs, Search Portals, and Data Processing	650	\$1,216	+14.5%	-1.8%
Merchant Wholesalers, Nondurable Goods	2,075	\$1,133	+22.5%	0.0%
Clothing and Clothing Accessories Stores	1,737	\$320	+20.0%	-9.9%
Electronics and Appliance Stores	1,004	\$622	+13.4%	+18.1%
Heavy and Civil Engineering Construction	1,455	\$962	+15.2%	-2.2%
Ambulatory Health Care Services	7,398	\$1,051	+11.3%	+6.6%
Nursing and Residential Care Facilities	3,725	\$492	+8.0%	+0.6%
Personal and Laundry Services	1,653	\$407	+3.8%	+6.5%
Miscellaneous Manufacturing	1,196	\$1,006	+3.2%	-2.7%
Administrative and Support Services	9,996	\$594	+6.5%	-5.4%

Competitive-Advantage Industries (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Merchant Wholesalers, Nondurable Goods	2,075	\$1,133	+22.5%	0.0%
Ambulatory Health Care Services	7,398	\$1,051	+11.3%	+6.6%
Truck Transportation	1,240	\$936	+17.5%	+9.8%
Heavy and Civil Engineering Construction	1,455	\$962	+15.2%	-2.2%
Merchant Wholesalers, Durable Goods	2,270	\$1,080	+5.6%	-6.2%
Hospitals*	P	P	P	P
Specialty Trade Contractors	3,216	\$929	+4.6%	+10.2%
Computer and Electronic Product Manufacturing	1,306	\$1,246	+0.3%	+6.3%
Publishing Industries, except Internet	2,079	\$1,135	0.0%	+7.2%
Professional and Technical Services	14,269	\$1,501	+0.4%	+0.2%

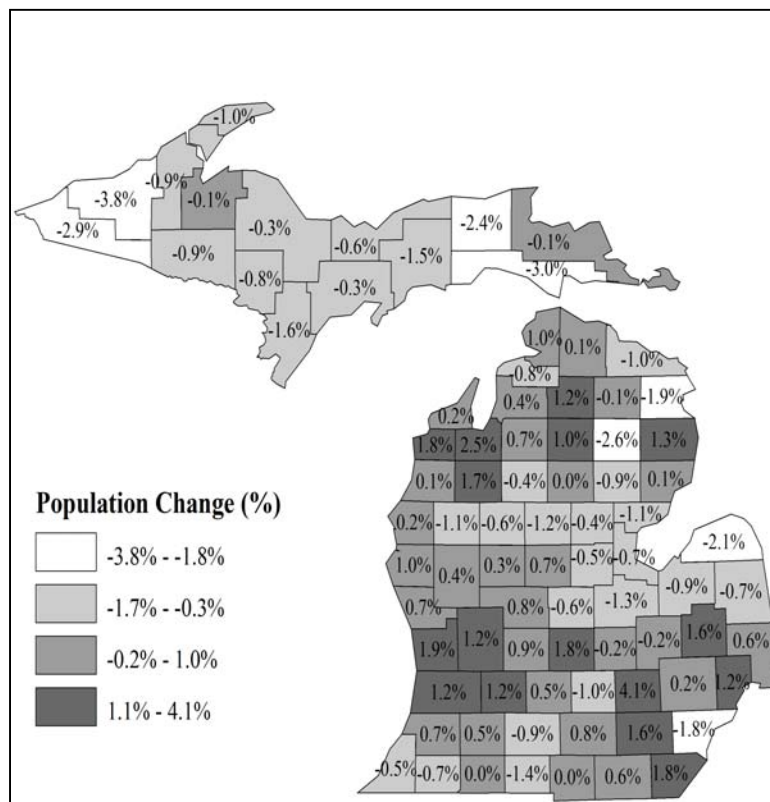
*Protected Data

- Not surprisingly, strong growth was seen in health-related industries, particularly in *Ambulatory Health Care Services*. This sector added 753 jobs between 2004 and 2006, a rate of 11.3 percent. Not only did this sector add significant employment, but it also reported an average wage of \$1,051 per week, which was 20 percent above the overall regional average and 35 percent higher than the state and national average wages.
- *Transportation Equipment Manufacturing* took the hardest hit on the list of declining industries. The loss of roughly 2,600 jobs in this sector in Washtenaw County equated to a full 2.0 percent of total area jobs in 2004. Related to this loss, *Management of Companies* also saw a substantial employment reduction, declining almost 16 percent as white collar jobs in auto-related manufacturing were reduced.
- Despite losses, *Transportation Equipment Manufacturing* remains one of the region's core industries, accounting for nearly 10,000 jobs in the area. The remaining list of core industries covers a diverse set of sectors, ranging from *Publishing Industries* to *Electronics and Appliance Stores* to previously-mentioned health care sectors. Professional and Technical Services is the largest of all core industries, accounting for over 14,000 jobs in the Ann Arbor MSA.
- One industry in particular showed strong growth in the list of developing industries. *Merchant Wholesalers of Non-durable Goods*, while still a smaller industry in the region, grew by 22.5 percent, or 382 jobs between 2004 and 2006. In fact, this type of growth was seen in *Wholesale Trade* in general, and is supported by growth figures in *Transportation and Warehousing*.

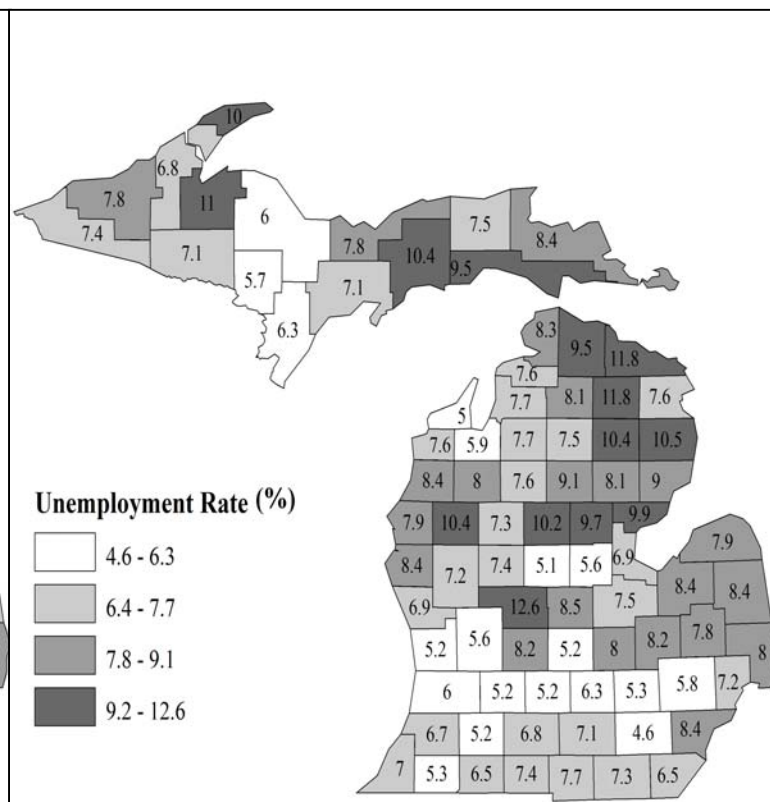
- The list of competitive advantage industries crosses nearly the entire spectrum of major sectors. This provides clear evidence of the diverse economy in Washtenaw County. In this list, the case for health care competitiveness in the area should be evident, as Ann Arbor remains a world-class name in terms of medical treatment.
- Beyond health care, *Heavy and Civil Engineering Construction* not only shows good growth in employment, adding 200 jobs in a two-year span, but workers in this industry command much higher wages than the regional, state, and national averages. This sector should continue to expand over the long-term as the region grows both in terms of population and employment.
- The region employs a larger proportion of *Professional and Technical Services* jobs than the national average. Included within this sector are accounting, legal, and architecture firms, as well as firms providing software programming and other computer consulting. With *ISPs, Search Portals, and Data Processing*, showing up on the list of core and developing industries and *Computer and Electronic Product Manufacturing* and *Professional and Technical Services* among the region's competitive advantage industries, the presence of high-tech growth is apparent in the region.
- With growth in both *Truck Transportation* (+185 jobs) and *Nondurable and Durable Good Wholesalers* (+502 jobs), the region is gaining a competitive advantage in trade and transportation beyond its large retail sector. All of these industries also offer higher-than-average compensation as well, which helps stimulate economic activity in other industries.

APPENDIX I: MAPPING ECONOMIC TRENDS

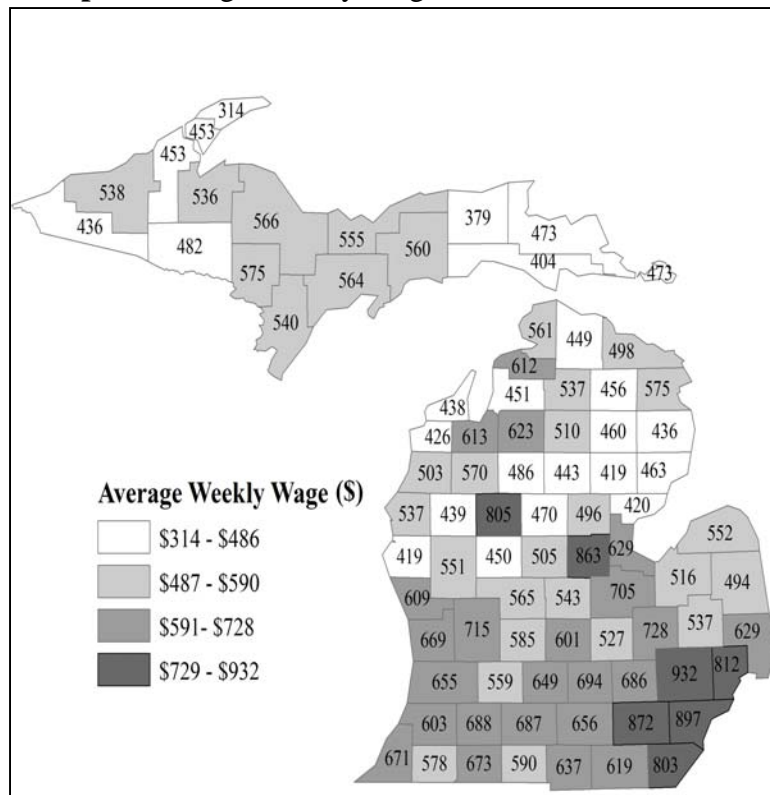
Map 1: Change in Population, 2004-2006



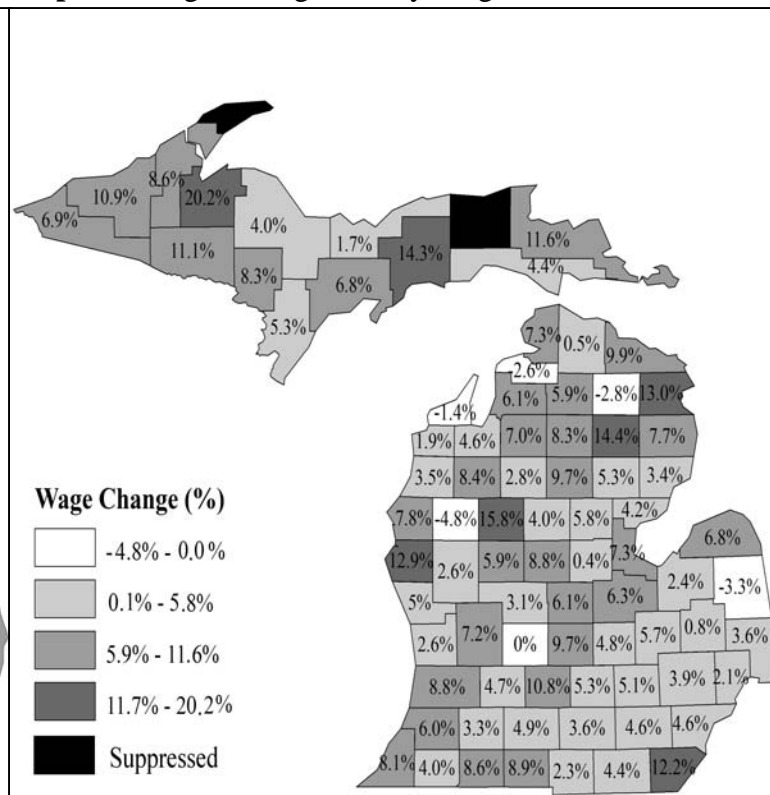
Map 2: Unemployment Rate, Average 2006



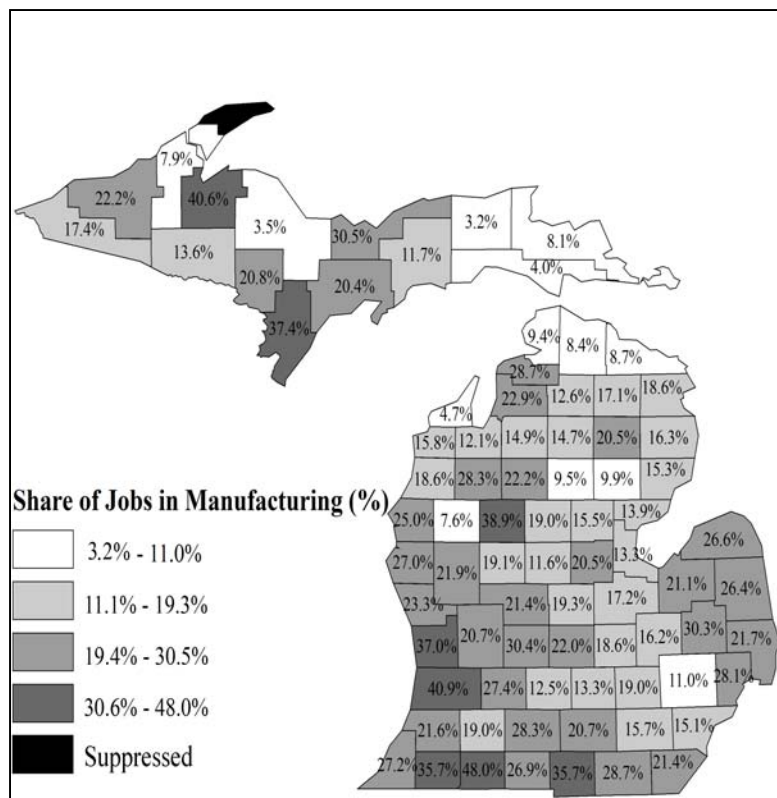
Map 3: Average Weekly Wage, 2006



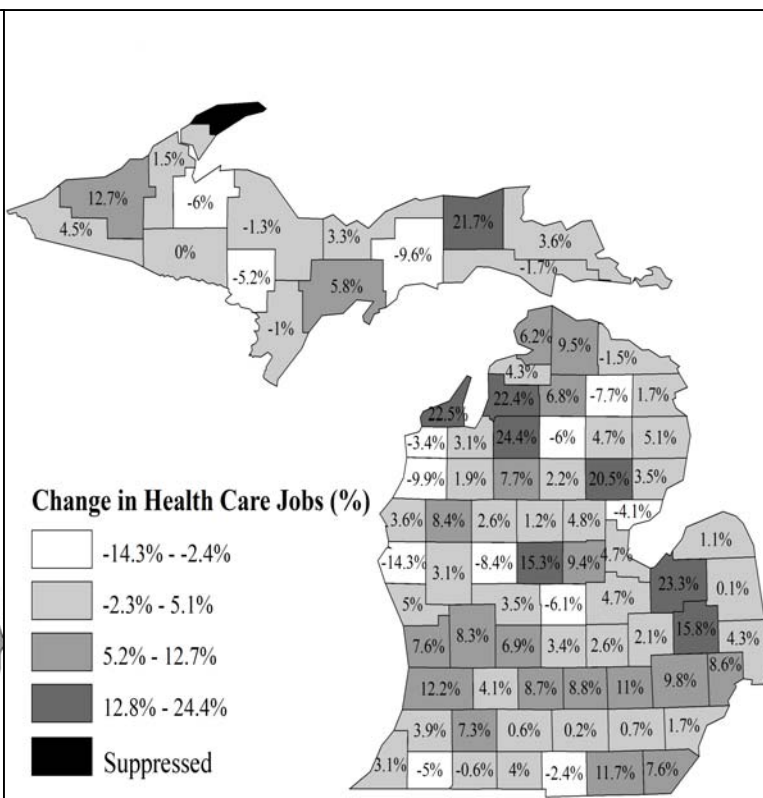
Map 4: Change in Avg. Weekly Wage, 2004-2006



Map 5: Percentage of Total Private Jobs in the Manufacturing Sector, 2006



Map 6: Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



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Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives

